NOTTINGHILL
INVESTMENT ADVISERS, Ltd.

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An Update

SCORECARD

	2019	Three Years	Five Years	10 Years
S&P 500 Index	**31.49%**	**15.27%**	**11.70%**	**13.56%**
10-Year Treasury Note	**8.36**	**3.78**	**2.77**	**4.70**
Gold	**18.63**	**9.48**	**4.89**	**3.05**

All multi-year returns are annualized, and all returns are associated with time periods ending December 31, 2019

2019 — "Own stocks, thank the Fed, no recession in the U.S. any time soon."

So, sayeth The Bank Credit Analyst in that firm's economic/stock market commentary. By implication, the near-term sailing is expected to be smooth, with few economic dramas. Maybe, but the unforeseen does have a nasty habit of interrupting the most tranquil of forecasts. Still, 2019 was a very good year from many standpoints, and the factors involved are expected to be with us for a while. An economy-friendly Fed heads that list. Early last year, every interest rate forecaster expected rates to go up in 2019; but, along came a few bits of weak data, and with that data came the Fed pivot from monetary Grinch to monetary enabler. The interest rate path of least resistance went from up to down, and monetary policy here in the U.S. suddenly was aligned with a decidedly pro-growth fiscal policy. The results: a stable 2-3% growth rate, healthy profits, unemployment rates at 50-year lows. Thank fiscal policy and thank the Fed, at least for now.

The capital markets had a banner year. In fact, we came within hailing distance of a very rare 10% trifecta: an annual investment return of 10% or more from U.S. equities, the 10-year Treasury, and gold, asset classes that typically march to different drummers. The actual 2019 investment returns are 26.54% (Value equities) and 18.63% (Engelhard industrial bullion), while the 10-year Treasury note delivered 8.36%. The last time we even approached such a trifecta was 1986. Thank fiscal policy and thank the Fed, at least for now.

What was the situation at year-end? Our usual three headings:

- **Worldwide Economy**
  One year ago, the macro-economic data had become a little soft, and talk of recession was in the air. Then, along came the Fed pivot, and suddenly monetary policy was in-sync with fiscal policy. As 2019 came to a close, the U.S. economy, with both engines pulling in the same direction, had outdistanced the overseas competition by a considerable margin. We know that new, unforeseen challenges lie ahead, but, for now, the economic backdrop clearly is favorable.

- **Equities**
  Talk about the proverbial wall of worry. The fourth quarter of 2018 had been difficult, everyone was talking recession, and everyone knew that interest rates were headed up. And yet, investors climbed that wall, and equities had a banner year. What now? The favorable 2019 conditions still are with us, and, while the overall market (U.S.) is hardly undiscovered, attractively valued equity classes do remain. The Cyclical/Value equities that we prefer and international emerging markets equities are prime examples. NASDAQ Growth? In the interest of diversification, some exposure makes sense, but this trade, as the popular saying goes, has become "crowded."

- **Interest Rates**
  At year-end 2018, the 10-year Treasury note was yielding 2.68%, and the Fed-induced vibes at the short end of the yield curve all were bad. Then, the pivot took place, and what everyone "knew" about interest rate trends suddenly became unknown. Ultimately, rates began to meander down, and credit, the Keynesian slick pavement upon which all commerce flows, was available everywhere. What now? Everything is data-dependent, but clearly, Chairman Powell et al. intend to abide by that well-known admonishment within the Hippocratic Oath: First, do no harm.

So, as the year opened, recession talk was in the air, but the Fed pivot put an end to that. U.S. and overseas equities ended up having a banner year, with bonds and gold as solid contributors to the cause. The New Year's Eve toast at many houses: May they all be like 2019. We know they won't be, but it's all about sticking to the plan.

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And now, "The 2010s and Memory Lane," followed by a review of the balanced strategies in 2019.

About the Firm

Nottinghill Investment Advisers, Ltd., is a registered investment adviser founded in May 1996.

Nottinghill is owned by the seasoned professionals serving its clients, and effectively managing the assets of those clients, taxable as well as tax-exempt, is the Firm's only business. The twin results are commitment and focus.

Total Portfolio Management, or TPM, is Nottinghill's largely passive, balanced approach to the management of a client's overall portfolio, and Indexed Total Portfolio Management, or ITPM, is the totally passive variation. In both cases, portfolios contain three sectors: Equities, U.S. Fixed Income, and the Alternatives Group. TPM and ITPM are two complete, widely diversified answers to any client's investment needs.

Seasoned investment professionals. Commitment and focus. Two complete, widely diversified answers. Nottinghill is your ideal partner.

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The 2010s and Memory Lane

"Focus on the long-term, and you can ignore the media's distortions.
Market fears regarding the future almost always are groundless."
- Dick Davis

At 1600 hours on December 31, 2009, the S&P 500 Index closed at 1115.10, and the Lost Decade of the 00s officially came to an end. We've all seen pictures of those closed factories in the 30s, witnessed the social upheaval of the 60s, and sat in the middle of those 70s gas lines. U.S. equities struggled to varying degrees in those earlier decades; but, strictly in stock market terms, the 00s were the worst decade of them all. The decade of the 10s was welcomed in with open arms.

Now, the 10s, which we're calling the Revival 10s, are in the rearview mirror, and stock market investors everywhere can see how the just-completed decade stacks up. Very well, as it turns out. To be sure, the 10s weren't exactly the Carefree 50s, or the Ronald Reagan 80s, or the Internet 90s; but, U.S. equities in particular did come up off the 2008-2009 mat, and make us proud. How proud? Let's take another walk down memory lane, and take a look at the competition.

The 20s

The famed Ibbotson data series starts on December 31, 1925, so we don't have the whole decade on paper. However, this was the decade of laissez-faire Capitalism; Prohibition and flappers; the Gershwins, Jolson, and Paul Whiteman; Ruth and Gehrig. The S&P 500's 1926-1929 annualized investment return...a resounding 19.19%., even with October 1929 thrown in.

The 30s

Everybody's <u>assumed</u> last-place finisher in fact wasn't all that good. This was the decade of the Great Depression and the Dust Bowl; FDR and his New Dealers; Porter, Berlin, and Crosby; Jesse, Bronco, and Hutson; Scarlett and Rhett, Shirley and Mickey. Annualized investment return…-0.55%, with, shall we say, volatility.

The 40s

Worldwide conflagration, but also WWII-inspired economic renewal. A decade that included Midway, Stalingrad, and two Former Naval Persons; price controls, post-war anxiety, and HUAC; the springtime of Frank Sinatra; the Splendid Splinter and "Casablanca." Nail-biting annualized investment return...9.17%.

The 50s

The assumed winner, and it doesn't disappoint. A decade characterized by healthy, non-inflationary growth and technological advance; Ike and his interstate highways; Jonas Salk and the Pittsburgh trials; Willie and the Mick; "Rock Around the Clock" and the birth of rock 'n' roll. The S&P's annualized investment return...a nostalgic 19.35%.

The 60s

Nowhere near the smooth ride of the 50s, but not bad point-to-point. This was the decade in which inflation's groundwork was laid. Also, the decade of JFK and LBJ; Vietnam and social unrest; Lennon & McCartney, Dylan, and Gordy; Lombardi and the Wizard; Jimmy B. and Johnny U. Annualized investment return...a far out, scrambling 7.81%.

The 70s

A stop-start equity market fostered by a stop-start pattern of stagnant growth and inflation. A decade that included two oil shocks and two interest rate spikes; two Godfathers and one galaxy far, far away; one and only one Zeppelin and four Eagles; one Big Red Machine and one solid Steel Curtain. Annualized investment return...a choppy 5.86%.

The 80s

The second of three very good "buy 'em and hold 'em" decades. This was the decade of Ronald Reagan, Paul Volker, and the Laffer curve in action; Defense Department revitalization and Cold War endgame; "Thriller" and the rise of MTV; Larry and Magic; Joe, Jerry and the West Coast Offense. Annualized investment return...17.55%.

The 90s

The third very good "buy 'em and hold 'em" decade as Internet tech went mainstream and took the rest of the stock market with it. Also, the decade of Bill and Hillary; Newt and the Contract With America; terrorism's shots across the bow; "Seinfeld" and "Frazier"; Michael J. and his Bulls. Steady, non-inflationary growth and very good markets. Annualized investment return...18.20%.

The 00s

Equity prices don't keep growing to the sky, and they didn't in the 00s. This decade included two recessions, two asset bubbles, the tragedy of September 11, and 2008, the worst stock market year since 1931; Beyonce and all her "Single Ladies"; Tom Brady and his Pats. Through it all, annualized investment return…-0.95%, which makes the 00s the <u>actual</u> last-place finisher, aka the Lost Decade.

The 10s

A decade of economic and stock market revival, fostered by 0% interest rates and in spite of intense political drama featuring Barack and Donald J. as headliners. Also, the decade of the Newtown and Boston Marathon tragedies; Amazon and Apple ascendant; Taylor, Rihanna, and Bruno on the charts; Roger and friends on the courts; Nick S. on a rising Crimson Tide. Annualized investment return...13.56%.

So, if we consider the Ibbotson 1920s to be a whole decade, the Revival 10s, with a solid 13.56% per year, comes in at #5 out of 10; <u>and</u>, the Ibbotson folks now have a 94-year database of U.S. stock market returns. What all that data say is that, in the 94 years between Isham Jones' "It Had to Be You" and "Old Town Road" by Lil Nas X (how's that for a pair of bookends?), the U.S. stock market delivered 10.20% per year. And, the view remains worthy of the climb. The $10,000 invested by (someone who turned out to be) your favorite ancestor on December 31, 1925, had become $92.4 million on December 31, 2019.

Now, we confront this century's version of the Roaring 20s. We know exactly how the last century's version roared and how it ended. How will this version roar and end? Impossible to say for sure, of course; but, for the most part and for now, the U.S. economy is in a good place. Seemingly good place or not, however, diversification and discipline with U.S. equities as the overall portfolio's centerpiece (TPM or ITPM, anyone?) remain the keys to long-term investment success. These periodic walks down memory lane, a 94-year lane filled with Sirens trying to get us to stray off course, tell us so.

Total Portfolio Management

Portfolio Structure

Total Portfolio Management, or TPM, is a largely passive, balanced approach to the management of a taxable individual's or tax-exempt institution's overall portfolio. TPM portfolios consist of three sectors: Equities, U.S. Fixed Income, and the Alternatives Group. An active approach governs the large company component of the Equities sector, which also includes three other, passively managed ETF components. The U.S. Fixed Income sector is a combination of three actively managed bond mutual funds and intermediate Treasuries. And finally, positions in three alternative asset classes (ETFs) constitute an Alternatives Group that adds yet another layer of diversification. The result: a complete, largely passive destination for all of the taxable individual's or tax-exempt institution's investment needs.

Investment Objectives

- **A positive inflation-adjusted investment return** — A Life of the Strategy investment return greater than the inflation rate of the overall U.S. economy
- **A structure-consistent investment return** — A Life of the Strategy investment return consistent with the component investment returns weighted in accordance with the portfolio's asset allocation structure
- **Low, structure-consistent volatility** — Life of the Strategy investment return volatility consistent with that of a low-volatility structure and one weighted in accordance with the portfolio's asset allocation structure

Investment Return Summary

	2019	**2002-2019**
TPM Baseline*	**21.75%**	**9.81%**
S&P 500 Index	31.49	8.08
Barclays Capital US Aggregate Bond Index	8.72	4.49

*65% equities

Nottinghill Investment Advisers, Ltd., is an independent investment adviser utilizing a number of large capitalization equity and widely diversified balanced strategies. The above Total Portfolio Management - Baseline performance data are associated with the Total Portfolio Management - Baseline model portfolio. While the data associated with the strategy incorporate the model and actual investment returns associated with strategy components, such data, even when combined in accordance with the Baseline structure, do have certain inherent limitations. First, unlike an actual performance record, such data do not reflect actual trading. Second, since trades have not actually been executed, results may contain an under– or over-compensation for the impact, if any, of certain market factors. These data are provided net-of-assumed transaction costs and net-of-assumed management fees. Furthermore, the data are associated with time periods ending December 31, 2019, are annualized for the multi-year period, are expressed in U.S. Dollars, and are compared to the broadly based, all equity S&P 500 Index and the all-fixed income Barclays Capital US Aggregate Bond Index. Whether simulated or actual, past performance is no guarantee of future results. A complete list of Nottinghill performance composites and model portfolios and additional information regarding the calculation and reporting of Nottinghill performance are available upon request.

Investment Strategy Advantages

- A seasoned team of investment professionals
- The complete, largely indexed answer
- Low, fully disclosed investment expenses
- Solid performance at a low level of risk

Now, let's talk about ITPM in 2019. Details on the next page.

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Indexed Total Portfolio Management

Portfolio Structure

Indexed Total Portfolio Management, or ITPM, is a totally passive, balanced approach to the management of a taxable individual's or tax-exempt institution's overall portfolio. ITPM portfolios consist of three sectors: Equities, U.S. Fixed Income, and the Alternatives Group. A total of nine components within those sectors, and all nine consist of ETF positions performing in line with an associated equity market index, bond market index, or commodity price. ITPM portfolios combine the traditional performance advantages of passive management, along with ultra-low transaction costs and management fees. The result: a complete, totally passive destination for all of the taxable individual's or tax-exempt institution's investment needs.

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Investment Return Summary

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We would like to hear from you. Your questions, comments, and requests for information are welcome.
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